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SIR

LGE-X-1

24 September 1961

Chief of Station, Karlsruhe.

Chief, Foreign Division K

Operational

USAGB

REF : LGE-X-2297

1. No doubt you are in the process of applying to USAGB the pressures outlined in reference memo. The decision made that USAGB, since he is run by the PCB staff and is not part of ZIPPER, and must be treated in the same way as say agent, will provide us an excellent chance to see where we stand with him. This will mean that you must familiarise yourself with the GSO regulations on operational procedures. Field Regulation No. 50-3 is the particular one concerned. We believe that PCB has a copy of these regulations. If not, you can either borrow a copy of it from Karlsruhe or study it there.

2. This formalisation of USAGB operations in accord with ZACARIE wishes will force us to reassess his entire complex. At first glance this may seem like a lot of work, but we believe that much of his effort can be written off and will not be written up. The Hungarian operations, for instance, will hardly survive this kind of scrutiny unless there are positive assets which have not been reported to us. These Hungarian operations are the subject of a separate memo to you. Operation SINGER, also the subject of another memo, is apparently dead. We assume too that the GAVRILOV case (FULL-2520) has come to nothing since we have received nothing following the original cable.

3. Reference memo actually initiated a completely new phase in the USAGB picture, and a healthy one. Since USAGB operations have been financed as they have, we have little choice but to do other than finance those which we believe will survive submission according to MACANIL rules at the present level until local zone arts ends.

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4. the Czech desk is studying the new CSR proposals. They were able to tell us at a glance that it resembles Project WAGO, formerly run by GIC, Salzburg. We will give you the results of the Czech desk analysis as soon as we have it. There does seem to be considerable interest in the reports which have come from this proposal (with the shelling) and we will also forward the evaluation on this as soon as we can.

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